

Message Text

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ACTION AF-04

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LIMDIS

E.O. 11652: GDS

TAGS: EFIN, CG

SUBJECT: FIRST HALF BUDGET PERFORMANCE

REF: KINSHASA A-102, A-78

1. WE HAVE RECEIVED THROUGH UNOFFICIAL MEANS DATA ON GOZ'S BUDGETARY PERFORMANCE IN JUNE, AS WELL AS GLOBAL RECEIPT/ EXPENDITURE FIGURES FOR FIRST HALF 1975. ALL IN MILLIONS OF ZAIRES:

JUNE 1975 JAN-JUNE 1975

RECEIPTS 39.1 248.7

(OF WHICH)

CUSTOMS 21.3

TAXES 17.5

EXPENDITURES 43.6 293.1

(OF WHICH)

OPERATING 35.8

CAPITAL 7.8

DEFICIT 4.5 44.4

2. IT IS CLEAR THAT GOZ HAS CUT OPERATING EXPENDITURES SIGNIFICANTLY SINCE BEGINNING OF YEAR (SEE REFAIRS FOR COMPARISON). FIRST QUARTER'S MONTHLY AVERAGE WAS 44.3
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APRIL'S OPERATING EXPENDITURES WERE 41.7, JUNE'S 35.8.

WE DO NOT HAVE MAY DATA, BUT IT IS LIKELY THAT OPERATING EXPENDITURES WERE AROUND 38. MOST IMPORTANT ELEMENT IN DECREASED SPENDING APPEARS TO BE FAILURE TO MAKE PAYMENTS ON EXTERNAL PUBLIC DEBT, AND NEXT MOST IMPORTANT CUT COMES IN OPERATING BUDGETS OF VARIOUS MINISTRIES. PRESIDENCY SPENDING DROPPED FROM FIRST QUARTER MONTHLY AVERAGE OF 4.2 TO AROUND 3.5 DURING SECOND QUARTER. PAYROLL, ON CONTRARY, INCREASED FROM 15.3 PER MONTH DURING FIRST QUARTER TO 16.7 TO APRIL AND TO 17.7 IN JUNE. AVERAGE MONTHLY OPERATING EXPENDITURES THUS FAR IN 1975 DOWN APPROXIMATELY 19 PERCENT FROM 1974 MONTHLY AVERAGE. CAPITAL EXPENDITURES (WHICH ALSO INCLUDE DEBT PAYMENTS) DOWN FROM 1974 MONTHLY AVERAGE OF 10.8 TO AROUND 7 PER MONTH THIS YEAR--OR A DROP OF 35 PERCENT.

3. RECEIPTS HAVE DROPPED FROM 1974 MONTHLY AVERAGE OF 44.8 TO 41.5 DURING FIRST HALF 1975--DOWN SOME 7 PERCENT. LATTER FIGURE INCLUDES OF COURSE FOREIGN BORROWINGS (AT LEAST ONE, PROBABLY TWO TRANCES OF ABU DHABI LOAN FOR 21 TOTAL; 46 FROM IMF), WHEREAS IN 1974 THERE WERE NO FOREIGN LOANS. THIS YEAR'S RECEIPTS ALSO INCLUDE 11 TAKEN FROM CADEZA, THE PUBLIC SAVINGS ASSOCIATION, AND WE KNOW THAT ANOTHER 6.2 HAVE COME IN FROM AN ARAB SOURCE (INSHASA 5889).

4. AS WE EARLIER POINTED OUT, THE FOREIGN EXCHANGE CONSTRAINT FORCES LOWER SPENDING LEVELS BUT IT IS ALSO FAIR TO SAY THAT GOZ'S OWN AUSTERITY MEASURES HAVE HAD EFFECT TOO. FACT REMAINS THAT ZAIRE IS FALLING DANGEROUSLY BEHIND ON EXTERNAL DEBT PAYMENTS AND ON PAYMENTS FOR CRITICAL SUPPLIES LIKE POL (KINSHASA 6287), SPARES FOR GECAMINES (LUBUMBASHI 139) AND INPUTS FOR LOCAL FIRMS. THE TIDBITS THUS FAR RECEIVED FROM THE ARABS AND THE IMF HAVE HELPED TO REDUCE THE DFICIT, BUT HAVE NOT BEEN ENOUGH TO KEEP THE ECONOMY GOING AT A SATISFACTORY LEVEL.

ANDREW

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